

Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 SCEM-02 TRSE-00 INT-08 COME-00

L-03 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01

USIA-12 PRS-01 AID-20 NSC-10 CIEP-02 SS-15 STR-08

OMB-01 CEA-02 H-02 RSR-01 /124 W

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R 010030 Z JUN 73

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 9877

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

MAMEMBASSY SAN JOSE 3254

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY MEXICO

AMEMBASSY CARACAS

C O N F I D E N T I A L GUATEMALA 2615

E. O.11652: GDS

TAGS: ENRG, EGEN

SUBJECT: RECENT DEVELOPMENTS ON PETROLEUM PRICE ISSUE.

REF: GUATEMALA 2463.

1. SUMMARY: PETROLEUM PRICE ISSUE NEARING SHOWDOWN.
TEXACO INFORMED PRESIDENT ARANA IT CANNOT WAIT MUCH
LONGER FOR PRICE RELIEF ON CRUDE. OTHERWISE IT WILL HAVE
TO DISCONTINUE CRUDE IMPORTS. DIRECT TALKS BETWEEN
TEXACO AND ECONMIN SUPPOSED TO BEGIN IN TEN DAYS. END SUMMARY

2. DURING CALL ON PRESIDENT ARANA MAY 29 TO DELIVER
PRESIDENT NIXON' S FOREIGN POLICY REPORT I RAISED QUESTION
OF OIL PRICES. I NOTED THAT CHEVRON AND TEXACO REPRESENTATIVES
HAD EXPLAINED THEIR PREDICAMENT TO ME. CHEVRON OFFICIALS
HAD INFORMED ME OF USEFUL CONVERSATION THEY HAD HAD WITH HIM
INCLUDING HIS CONSTRUCTIVE SUGGESTION THAT
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OIL COMPANY REPRESENTATIVES MEET WITH MINECON MOLINA TO EXAMINE ISSUES. REFERRING TO HIS OFT- REPEATED POSITION THAT HE PREFERS TO AVOID CONFRONTATION BY TIMELY NEGOTIATION, I EXPRESSED HOPE THAT THROUGH THE DIALOGUE HE PROPOSED A FORMULA MIGHT BE FOUND TO ACCOMMODATE INTERESTS OF BOTH SIDES. I MADE CLEAR TO PRESIDENT I HAD BROUGHT UP SUBJECT " EN UN PLAN AMISTOSO Y NO OFICIAL" (INFORMALLY AS A FRIEND AND NOT OFFICIALLY) BECAUSE I SHARE HIS VIEW THAT IT IS BETTER TO ANTICIPATE DIFFICULTIES AND TRY TO RESOLVE THEM RATHER THAN WAIT UNTIL THEY BECOME MAJOR PROBLEMS.

3. PRESIDENT ARANA RESPONDED BY SAYING THAT AT NOON THAT SAME DAY HE HAD RECEIVED TEXACO REPRESENTATIVES. WHILE EXPRESSING UNDERSTANDING OVER POSITION OF OIL COMPANIES, HE AT SAME TIME REVEALED ANNOYANCE OVER TEXACO'S BLUNT PRESENTATION THAT IF PRICES WERE NOT ADJUSTED SOON COMPANY COULD NO LONGER AFFORD TO BRING IN CRUDE. PRESIDENT SAID HE HAS SERIOUS PROBLEMS IN HOLDING PRICE LINE IN AN ELECTION YEAR AND OIL COMPANIES MUST TAKE THAT IMPORTANT REALITY INTO CONSIDERATION. HE MADE VAGUE REFERENCE TO POSSIBLE ADJUSTMENTS IN PRICE TO DISTRIBUTORS WHICH TO ME INDICATED SOME FLEXIBILITY ON HIS PART.

4. YESTERDAY MORNING MAY 30, TEXACO GENERAL MANAGER FOR LATIN AMERICA, J. D. JOHNSON, AND LOCAL MANAGER, W. W. CRAWFORD, CALLED TO REPORT ON CONVERSATION WITH PRESIDENT. THEY DESCRIBED THEIR PRESENTATION AS POLITE BUT FIRM. JOHNSON SAID THEY HAD ARGUED THEIR CASE ON THE ECONOMICS OF PRESENT WORLD PRICES AND SUPPLY AND DEMAND, " TRYING TO AVOID ANY APPEARANCE OF AN ULTIMATUM". HE OBSERVED THAT AT ONE POINT THE CONVERSATION BECAME RATHER HEATED AND THEIR LAWYER (EDUARDO MAYORA) HAD STEPPED IN TO SMOOTH THINGS OVER. UPSHOT OF INTERVIEW WAS THAT PRESIDENT TURNED TO MINECON MOLINA AND ASKED HIM TO CONTINUE DISCUSSION IN HIS OFFICE. JOHNSON SAID THAT CONVERSATION WITH MOLINA LASTED FOR AN HOUR. MOLINA APPARENTLY GAVE NO INDICATION OF HOW PRICE QUESTION MIGHT BE HANDLED BUT AGREED TO MEET AGAIN IN " TEN DAYS" TO REVIEW TEXACO PROPOSALS.

5. JOHNSON DESCRIBED TEXACO'S POSITION WITH SOME PROMPTING ON MY PART IN FOLLOWING TERMS:

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*** Current Classification *** CONFIDENTIAL

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To: CARACAS
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MANAGUA
MEXICO
PANAMA
SAN JOSE
SAN SALVADOR

SECSTATE WASHDC
TEGUCIGALPA

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